

2005 DRAFTING REQUEST

Bill

Received: **09/23/2004**

Received By: **pkahler**

Wanted: **As time permits**

Identical to LRB:

For: **Administration-Budget 7-9546**

By/Representing: **Jablonsky**

This file may be shown to any legislator: **NO**

Drafter: **pkahler**

May Contact:

Addl. Drafters:

Subject: **Insurance - health**
Health - miscellaneous

Extra Copies: **CMH**

Submit via email: **NO**

Pre Topic:

DOA:.....Jablonsky, BB0037 -

Topic:

Eliminate double-counting of HIRSP deductible subsidy

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	pkahler 09/28/2004	kfollett 10/21/2004		_____			
/P1			pgreensl 10/21/2004	_____	lemery 10/21/2004		
/1	pkahler 01/24/2005	jdyer 01/24/2005	jfrantze 01/24/2005	_____	lnorthro 01/24/2005		

FE Sent For:

<END>

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/?	pkahler		19 21 P8	19 24 P8/15			

FE Sent For:

<END>

BB0037

2003-05 Budget Bill Statutory Language Drafting Request

- Topic: HIRSP Deductible
- Tracking Code: (Assigned by Government Operations Team)
- SBO team: HRT
- SBO analyst: Susan Jablonsky
 - Phone: 7-9546
 - Email: sue.jablonsky@doa.state.wi.us
- Agency acronym: DHFS
- Agency number: 435

DHFS

Department of Health and Family Services
2005-2007 Biennial Budget Statutory Language Request
September 21, 2004

Eliminate the Double Counting of Deductible Subsidies in the Health Insurance Risk Sharing Plan Funding Formula

Current Language

Under Wis. Stats., s. 149.143(2)(a), prior to each plan year, the Department shall estimate the operating and administrative costs of the plan. As part of this requirement, the Department is required to calculate the amount of enrollee premiums, including the estimated amounts received for premium, *deductible*, and *prescription drug copayment subsidies*, sufficient to cover 60 percent of the estimated plan costs.

Under s. 149.144, the Department is required to increase insurance assessments and provider contributions by the amount of premium subsidies, deductible subsidies, and any prescription drug copayment subsidies. The total amount of the subsidies costs are allocated evenly between providers and insurers.

Under current law, policyholders are required to pay 60% of plan costs (net of deductible subsidies, but not net of premium subsidies). However, current law (s. 149.143(2)(a) 1a) requires that policyholders receive a credit for premium and deductible subsidies as part of their premium assessment. Since plan costs are net of deductible subsidies and a credit is also provided for deductible subsidies, the deductible subsidies are counted twice in establishing the policyholder assessment. This results in an unallocated cost equal to the deductible subsidies.

Proposed Change

Amend §. 149.143(1)(am)1. and 149.143(1)(am)3. Both provisions include the phrase, "including amounts received for premium, deductible, and prescription drug copayment subsidies." Amend the above phrase in both provisions as follows: "including amounts received for premium, ~~deductible~~, and ~~prescription co-payment~~ subsidies."

Amend s. 149.143(1) as follows: "The Department shall pay or recover the operating costs of the plan excluding the deductible reductions under s. 149.14(5)(a) from the appropriation under s. 20.435(4)(v)..."

Amend s. 149.143(2)(a)1.a. and 149.143(2m)(a)1. and 2. as follows: The provision includes the phrase, "including amounts received for premium, deductible, and prescription drug co-

→ is that not on cost?
→ deductible subsidy amounts do go into fund

payment subsidies.” Amend the above phrase in both provisions as follows: “including amounts received for premium, deductible, and prescription co-payment subsidies.”

Effect of the Change

Policyholders will no longer be credited twice for deductible subsidies as part of their premium calculation.

Rationale for the Change

Under current statute, for each plan year, the Department is required to calculate the total cost of the program and set policyholder premiums accordingly.

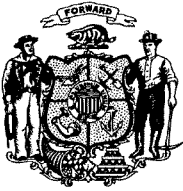
When actuaries calculate the total costs of the program to be allocated to policyholders, insurers, and providers, the deductible subsidies are excluded since they are to be paid 50% by insurers and 50% by providers. Otherwise, the deductible subsidies and drug copayments would be split 60% to policyholders, 20% to insurers, and 20% to providers.

However, when the actuaries calculate the policyholder premiums according to statute, the deductible subsidies are included as a credit to required premium contributions. Calculating the policyholder premiums, including the deductible and drug copayment subsidies, gives policyholders that receive deductible and drug co-payments subsidies a credit for premiums that are actually being paid by insurers and providers. When the total amount of premiums contributed by policyholders is calculated, it shows that policyholders contribute a larger amount in premiums than what is actually paid.

The first and third amendments above would exclude deductible and prescription drug copayment subsidies from the policyholder premium, thus eliminating the double counting. The second amendment would make clear that deductible and prescription drug copayments would be excluded from the operating and administrative costs of the plan that are to be apportioned.

In March of 2004, the HIRSP Board of Governors authorized reducing the balance of the policyholder surplus by \$2.2 million to account for the double counting of the deductible subsidies. Making these statutory changes would provide more accurate accounting of the plan's costs and eliminate the need for making such adjustments. Additionally, the Legislative Audit Bureau noted this as a needed statutory change in its audit of HIRSP for SFY 2003.

Desired Effective Date:	Effective Date of the Budget Bill
Agency:	DHFS
Agency Contact:	Curtis Cunningham
Phone:	266-5362



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-02677

PJK...

DOA:.....Jablonsky, BB0037 - Eliminate double-counting of HIRSP deductible subsidy

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

D-note

do not
cancel

1 AN ACT; relating to: the budget.

Analysis by the Legislative Reference Bureau

HEALTH AND HUMAN SERVICES

OTHER HEALTH AND HUMAN SERVICES

The Health Insurance Risk-Sharing Plan (HIRSP) under current law provides major medical health insurance coverage for persons who are covered under Medicare because they are disabled, persons who have tested positive for human immunodeficiency virus (HIV), persons who have been refused coverage, or coverage at an affordable price, in the private health insurance market because of their mental or physical health condition, as well as persons who do not currently have health insurance coverage, but who were covered under certain types of health insurance coverage for at least 18 months in the past. DHFS and a board of governors administer HIRSP.

Sixty percent of the operating costs of HIRSP are paid by premiums paid by HIRSP enrollees and 40% of the operating costs are paid in equal amounts through insurer assessments and provider payment rate discounts. Premiums, deductibles, and prescription drug copayments for low-income HIRSP enrollees are subsidized by increasing insurer assessments and further reducing provider payment rates, in equal amounts.

In the statutory formula that DHFS uses for setting premiums, insurer assessments, and provider payment rates, the amounts received for premium,

deductible, and prescription drug copayment subsidies are included in the premium amount that DHFS must set to equal 60 percent of HIRSP's operating costs. As a result, when their premiums are determined, HIRSP enrollees are given credit for the amounts paid by insurers and providers for premium, deductible, and prescription drug copayment subsidies. This bill removes the amounts paid by insurers and providers for deductible and prescription drug copayment subsidies from inclusion in the amount in the formula that equals 60 percent of HIRSP's operating costs. That formula amount, however, still includes the premium subsidies paid by insurers and providers.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

✓
1 **SECTION 1.** 149.143 (1) (intro.) of the statutes is amended to read:

2 149.143 (1) (intro.) The department shall pay or recover the operating costs of
3 the plan from the appropriation under s. 20.435 (4) (v) and administrative costs of
4 the plan from the appropriation under s. 20.435 (4) (u). For purposes of determining
5 premiums, insurer assessments and provider payment rate adjustments, the
6 department shall apportion and prioritize responsibility for payment or recovery of
7 plan costs, excluding deductible reductions under s. 149.14 (5) (a) and prescription
8 drug copayment reductions under s. 149.14 (5) (e), from among the moneys
9 constituting the fund as follows:

History: 1997 a. 27; 1999 a. 9, 165; 2001 a. 16, 109; 2003 a. 33. ✓

10 **SECTION 2.** 149.143 (1) (am) 1. of the statutes is amended to read:

11 149.143 (1) (am) 1. First, from premiums from eligible persons with coverage
12 under s. 149.14 (2) (a) set at a rate that is ~~140%~~ ^{140 percent} to ^{150 percent} of the rate that a standard
13 risk would be charged under an individual policy providing substantially the same
14 coverage and deductibles as are provided under the plan and from eligible persons
15 with coverage under s. 149.14 (2) (b) set in accordance with s. 149.14 (5m), including
16 amounts received for premium, deductible, and prescription drug copayment

1 subsidies under s. 149.144, and from premiums collected from eligible persons with
2 coverage under s. 149.146 set in accordance with s. 149.146 (2) (b).

3 History: 1997 a. 27; 1999 a. 9, 165; 2001 a. 16, 109; 2003 a. 33. ✓

3 **SECTION 3.** 149.143 (1) (am) 3. of the statutes is amended to read:

4 149.143 (1) (am) 3. Third, by increasing premiums from eligible persons with
5 coverage under s. 149.14 (2) (a) to more than the rate at which premiums were set
6 under subd. 1. but not more than ~~200%~~ ^{200 percent} of the rate that a standard risk would be X
7 charged under an individual policy providing substantially the same coverage and
8 deductibles as are provided under the plan and from eligible persons with coverage
9 under s. 149.14 (2) (b) by a comparable amount in accordance with s. 149.14 (5m),
10 including amounts received for premium, ~~deductible, and prescription drug~~
11 ~~copayment~~ subsidies under s. 149.144, and by increasing premiums from eligible
12 persons with coverage under s. 149.146 in accordance with s. 149.146 (2) (b), to the
13 extent that the amounts under subds. 1. and 2. are insufficient to pay ~~60%~~ ^{60 percent} of plan X
14 costs.

15 History: 1997 a. 27; 1999 a. 9, 165; 2001 a. 16, 109; 2003 a. 33. ✓

15 **SECTION 4.** 149.143 (2) (a) 1. a. of the statutes is amended to read:

16 149.143 (2) (a) 1. a. Estimate the amount of enrollee premiums that would be
17 received in the new plan year if the enrollee premiums were set at a level sufficient,
18 when including amounts received for premium, ~~deductible, and prescription drug~~
19 ~~copayment~~ subsidies under s. 149.144 and from premiums collected from eligible
20 persons with coverage under s. 149.146 set in accordance with s. 149.146 (2) (b), to
21 cover ~~60%~~ ^{60 percent} of the estimated plan costs for the new plan year. X

22 History: 1997 a. 27; 1999 a. 9, 165; 2001 a. 16, 109; 2003 a. 33. ✓

22 **SECTION 5.** 149.143 (2m) (a) 1. of the statutes is amended to read:

1 149.143 (2m) (a) 1. The amount of premiums received in a plan year from all
2 eligible persons, including amounts received for premium, deductible, and
3 ~~prescription drug copayment~~ subsidies.

4 History: 1997 a. 27; 1999 a. 9, 165; 2001 a. 16, 109; 2003 a. 33. ✓

4 **SECTION 6.** 149.143 (2m) (a) 2. of the statutes is amended to read:

5 149.143 (2m) (a) 2. The amount of premiums, including amounts received for
6 premium, deductible, and ~~prescription drug copayment~~ subsidies, necessary to cover
7 ~~60%~~ ^{60 percent} of the plan costs for the plan year. X

8 History: 1997 a. 27; 1999 a. 9, 165; 2001 a. 16, 109; 2003 a. 33.

(END)

D-note

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-026777 dn

PJK...

PI
E

Date

Sue:

Because DHFS adjusts insurer assessments and provider payment rates under s. 149.144 for the deductible and prescription drug copayment reductions, should s. 149.143 (2) (a) (intro.) also be amended by removing (striking) "the deductible reductions under s. 149.14 (5) (a), and any prescription drug copayment reductions under s. 149.14 (5) (e)"?

Pamela J. Kahler
Senior Legislative Attorney
Phone: (608) 266-2682
E-mail: pam.kahler@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-0267/P1dn
PJK:kjf:pg

October 21, 2004

Sue:

Because DHFS adjusts insurer assessments and provider payment rates under s. 149.144 for the deductible and prescription drug copayment reductions, should s. 149.143 (2) (a) (intro.) also be amended by removing (striking) "the deductible reductions under s. 149.14 (5) (a), and any prescription drug copayment reductions under s. 149.14 (5) (e)"?

Pamela J. Kahler
Senior Legislative Attorney
Phone: (608) 266-2682
E-mail: pam.kahler@legis.state.wi.us

Kahler, Pam

From: Jablonsky, Sue
Sent: Monday, January 24, 2005 2:41 PM
To: Kahler, Pam
Subject: FW: P. Koehler's question re: LRB 0267/P1

Sorry about this one--they originally said the draft was fine but, in checking thru my language, I looked at it again and tended to agree with you.

-----Original Message-----

From: Cunningham, Curtis
Sent: Monday, January 24, 2005 2:39 PM
To: Jablonsky, Sue
Cc: Kristan, Margaret; Malofsky, Shelley; Megna, Richard
Subject: RE: P. Koehler's question re: LRB 0267/P1

Yes, at least that is my understanding.

>>> Jablonsky, Sue 01/24/05 02:36PM >>>
So the answer is yes--it should be changed as Pam suggested?

-----Original Message-----

From: Cunningham, Curtis
Sent: Monday, January 24, 2005 2:06 PM
To: Jablonsky, Sue
Subject: Fwd: P. Koehler's question re: LRB 0267/P1

Sue,
Response to your Friday question

-----Original Message-----

Date: 01/24/2005 01:27 pm -0600 (Monday)
From: Margaret Kristan
To: Cunningham, Curtis; Megna, Richard
CC: Malofsky, Shelley
Subject: P. Koehler's question re: LRB 0267/P1

I'm following up on a question Richard called me about on Friday afternoon. I talked with Shelley and she agrees with Pam's comment. Can you get this word to Sue?

Thanks.
Margaret

>>> Margaret Kristan 01/24/05 08:53AM >>>

Hi, Shelley-
Richard Megna called late Friday afternoon based on a note from Pam Kahler to Sue Jablonsky. He only had hard copy--here's what it says:

Sue:

Because DHFS adjusts insurere assesments and provider payment rates under s 149.144 for the deductible and prescription drug copaying reductions, should s. 149.143 (2) (a) intro also be amended by removing (stirking) "the deductible reductions under s. 149.14 (5) (a), and any prescription drug copayment reductions under s. 149.14 (5) (e)"?
Pam Kahler

HELP!!!

Margaret



State of Wisconsin
2005 - 2006 LEGISLATURE

LRB-0267/PA

PJK:kjf:pg

r m is run

TODAY

DOA:.....Jablonsky, BB0037 - Eliminate double-counting of HIRSP deductible subsidy

FOR 2005-07 BUDGET -- NOT READY FOR INTRODUCTION

do not
you cut

1

AN ACT . . . relating to: the budget. ✓

Analysis by the Legislative Reference Bureau

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OTHER HEALTH AND HUMAN SERVICES

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12 under s. 149.14 (2) (a) set at a rate that is ~~440%~~ ^{plain} 140 percent to ~~150%~~ ^{plain} 150 percent of
13 the rate that a standard risk would be charged under an individual policy providing
14 substantially the same coverage and deductibles as are provided under the plan and
15 from eligible persons with coverage under s. 149.14 (2) (b) set in accordance with s.
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17 drug copayment subsidies under s. 149.144, and from premiums collected from

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2 (b).

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14 ~~percent~~ of plan costs.

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17 received in the new plan year if the enrollee premiums were set at a level sufficient,
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20 persons with coverage under s. 149.146 set in accordance with s. 149.146 (2) (b), to
21 cover ~~60%~~ 60 percent of the estimated plan costs for the new plan year.

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25 prescription drug copayment subsidies.

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(END)

**2005-2006 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-0267/lins
PJK:kjf:pg

INSERT 3-14

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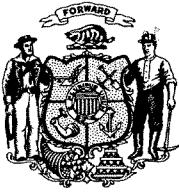
4 reductions under s. 149.165, ~~the deductible reductions under s. 149.14 (5) (a), and~~

5 ~~any prescription drug copayment reductions under s. 149.14 (5) (e)~~[✓] for the new plan

6 year and do all of the following:

History: 1997 a. 27; 1999 a. 9, 165; 2001 a. 16, 109; 2003 a. 33.

(END OF INSERT 3-14)



DOA:.....Jablonsky, BB0037 – Eliminate double-counting of HIRSP deductible subsidy

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5 coverage under s. 149.14 (2) (a) to more than the rate at which premiums were set
6 under subd. 1. but not more than 200% of the rate that a standard risk would be
7 charged under an individual policy providing substantially the same coverage and
8 deductibles as are provided under the plan and from eligible persons with coverage
9 under s. 149.14 (2) (b) by a comparable amount in accordance with s. 149.14 (5m),
10 including amounts received for premium, deductible, and prescription drug
11 copayment subsidies under s. 149.144, and by increasing premiums from eligible
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13 extent that the amounts under subds. 1. and 2. are insufficient to pay 60% of plan
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18 reductions under s. 149.165, ~~the deductible reductions under s. 149.14 (5) (a), and~~
19 ~~any prescription drug copayment reductions under s. 149.14 (5) (e)~~ for the new plan
20 year and do all of the following:

21 **SECTION 5.** 149.143 (2) (a) 1. a. of the statutes is amended to read:

22 149.143 (2) (a) 1. a. Estimate the amount of enrollee premiums that would be
23 received in the new plan year if the enrollee premiums were set at a level sufficient,
24 when including amounts received for premium, deductible, and prescription drug
25 copayment subsidies under s. 149.144 and from premiums collected from eligible

1 persons with coverage under s. 149.146 set in accordance with s. 149.146 (2) (b), to
2 cover 60% of the estimated plan costs for the new plan year.

3 **SECTION 6.** 149.143 (2m) (a) 1. of the statutes is amended to read:

4 149.143 **(2m)** (a) 1. The amount of premiums received in a plan year from all
5 eligible persons, including amounts received for premium, ~~deductible, and~~
6 ~~prescription drug copayment~~ subsidies.

7 **SECTION 7.** 149.143 (2m) (a) 2. of the statutes is amended to read:

8 149.143 **(2m)** (a) 2. The amount of premiums, including amounts received for
9 premium, ~~deductible, and prescription drug copayment~~ subsidies, necessary to cover
10 60% of the plan costs for the plan year.

11 (END)